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RUEHBJ/AMEMBASSY BEIJING 0696  
RUEHKO/AMEMBASSY TOKYO 1399  
RUEHUL/AMEMBASSY SEOUL 0383  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEAIIA/CIA WASHDC  
RHEFAAA/DIA WASHDC  
RHEHNSC/NSC WASHDC 0878  
RUEKJCS/SECDEF WASHDC 0791  
RUEKJCS/Joint STAFF WASHDC  
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SUBJECT: KAZAKHSTAN WITHDRAWS FROM REGIONAL POWER GRID

REF: ASTANA 0251

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¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: On February 26, for the second time in ten years, Kazakhstan withdrew from the Central Asian Power Grid (CAPG) by disconnecting all high-voltage lines to Kyrgyzstan and Uzbekistan. The last time Kazakhstan took such drastic action was in 2000, although it has threatened to do so many times in the past.

The Kazakhstan Electric Grid Operating Company (KEGOC) justified its decision as the only way to ensure continued power supply to domestic customers in southern Kazakhstan. KEGOC also said they acted to protect the stability of the national power grid itself, which they claim was threatened by over-consumption of electricity in Tajikistan, whose high-voltage network is interconnected with the Uzbekistan and Kyrgyzstan lines from which KEGOC disconnected. In October 2008, Turkmenistan pledged to supply Tajikistan with 1.2 billion kilowatt hours of electricity via Uzbekistan annually until ¶2012. That arrangement broke down in January, with Uzbekistan's decision to refuse to allocate transit capacities for delivery of Turkmenistan electricity to Tajikistan. Tajikistan received no electricity from Turkmenistan from that time until resumption of deliveries on 28 February, when Uzbekistan agreed to resume transit. KEGOC officials said they will continue to monitor the situation and may rejoin the CAPG as early as April 15. END SUMMARY.

UNSANCTIONED USE OF POWER FORCES KEGOC'S HAND

¶3. (SBU) The high-voltage systems of Uzbekistan, Kyrgyzstan, Tajikistan, and southern Kazakhstan (including major load-centers of Almaty, Dzhambul, and Shimkent) were constructed in the Soviet period as a single, integrated system, and continue to operate in this manner. After the dissolution of the Soviet Union, generation dispatch coordination deteriorated substantially, complicated by protracted disagreements on the management of water resources and their intersection with hydroelectric power generation. (NOTE: It is widely understood that Uzbekistan's decision to deny transit of Turkmenistan power to Tajikistan was a protest against Tajikistan's plans to complete construction of the Rogun hydroelectric plant.

See reftel. END NOTE.)

¶4. (SBU) Kazakhstan, recognizing inherent risks to stable supplies to its southern load centers caused by these water/power nexus disputes, constructed a 500kV transmission line in 1997 to supplement its southern regions (including Almaty) with power generated in capacity-abundant northern Kazakhstan. The normal operating capacity of this line is 630 MW, with intermittent peaking up to 800 MW. Northern Kazakhstan's system is interconnected with Russia's system, which supplies balancing electricity for the Kazakhstan grid. With over-consumption by Tajikistan this winter, the load on the Kazakhstan north-south 500 kV line increased to 1100 MW to compensate for the consequential load imbalance. As this line itself became overloaded, its automatic system protection interrupters temporarily opened the line to shed load and maintain system integrity. Southern Kazakhstan consumers were then subjected to intermittent blackouts as a consequence of these automatic disconnections. We also understand from sources within KEGOC that the significant increase in required balancing electricity elicited complaints from Russian power network operators who said they would not tolerate this situation indefinitely.

¶5. (SBU) According to KEGOC Vice President Valeriy Li, Tajikistan had been drawing power without contract for several months prior to KEGOC's decision to disconnect from the regional grid. He said that KEGOC was willing to tolerate Tajikistan's unsanctioned use of electricity until it began to threaten the stability of supply to Kazakhstan's own citizens. By February 26, Tajikistan's national power company Barq-i-Tojik had used 84,000 Megawatt-hours (MWh) since the beginning of the year. According to Li, if Kazakhstan had remained in the CAPG, Tajikistan's unsanctioned consumption of power would have exceeded 100,000 MWh by early March. (NOTE: The current market value of this power is from \$4 million to \$6 million. END

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NOTE). The additional load of Tajikistan's over-consumption would have continued to threaten stable supply of electricity to consumers in southern Kazakhstan. On February 26, KEGOC presented this information to Minister of Energy and Mineral Resources Sauat Mynbayev, who authorized KEGOC to withdraw from the regional grid. Murat Sandybayev, Deputy Director of KEGOC's Grid Services Department, subsequently told Energy Officer on March 5, "The Tajiks were simply stealing our electricity. We had to do something."

#### REGIONAL INTERDEPENDENCE ON WATER AND ENERGY

¶6. (SBU) Sandybayev said KEGOC hesitated to withdraw from the regional power grid because Kazakhstan is dependent on water supplies from Kyrgyzstan and Uzbekistan. "There are many intergovernmental agreements on water and power," he said, "and we knew there would be political implications if we got tougher on Tajikistan." Sandybayev said that KEGOC felt it had no choice but to act. The regional power grid has limited reserve capacity and Kazakhstan's North-South transmission line, which has a rated capacity of 630 Megawatts, soon began to approach 1,000 Megawatts, a potentially dangerous overload.

#### BLACKOUTS AND POWER CUTS

¶7. (SBU) The grid's automated monitoring system began to disconnect power flow as often as 30 times a day (or a total of 403 times in January and February), which triggered emergency power cuts in southern Kazakhstan. Once Kazakhstan withdrew from the CAPG, residents in Zhambyl oblast in southern Kazakhstan began to receive additional power from the firing of additional units at the relatively high-cost gas/mazut-fired Zhambyl power plant, which typically supplies electrical power only during winter emergencies. KEGOC also began operating one of its 220kV lines connecting Zhambyl and Almaty at the 500 kV voltage level, but with lower load capacities than the dedicated 500 kV line that crosses Kyrgyzstan's territory to connect these two cities. Although consumers there experienced one-hour power cuts several times a day on February 25 and 26, KEGOC's Sandybayev said power supply to the southern region is now stabilized.

18. (SBU) KEGOC's Sandybayev told Energy Officer that KEGOC would rejoin the CAGP by April 15, or as soon as the energy dispute with Tajikistan is settled. When asked how the dispute could be resolved, he confided that on March 6-7, the presidents of the national power grid companies for all five Central Asian republics plan to meet in Almaty to discuss the situation. "We expect them to come to an agreement," he said, "and we expect them to keep their promises." (NOTE: KEGOC Managing Director Sergei Katyshev did not confirm the March 6-7 meeting. We have heard from other sources that the heads of the power companies may gather on March 26-27 in Shchuchinsk, approximately 200 kilometers north of Astana in Akmola oblast. END NOTE).

19. (SBU) COMMENT: Kazakhstan justified its decision to withdraw from the Central Asian Power Grid on technical grounds, but clearly the move carries a political message as well. In particular, the government's decision signals the importance it attaches to its own energy security and the integrity of its own power system. KEGOC's decision furthermore serves notice to the other countries in the region that it cannot tolerate uncoordinated operation of the CAPG and unsanctioned power consumption that threatens the system's stability. At first glance, Kazakhstan's withdrawal from the regional power grid seems an ominous way to mark the beginning of USAID's new Regional Electricity Market Assistance Program (REMAP-II), just awarded this week (septel). However, KEGOC's decision may actually provide an unexpected boost to REMAP-II, by underscoring the importance of establishing a functioning market with clear regulations and enforceable rules. It is no coincidence that the resumption of Turkmen supplies to Tajikistan through Uzbekistan resumed just as KEGOC disconnected from the grid.

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Ironically, KEGOC's temporary withdrawal from the CAPG may help to convince Tajikistan, Kyrgyzstan, and Uzbekistan of the value of participating in the creation of a rules-based, coordinated, common regional power market. END COMMENT.

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